

Department of Insurance, Securities and Banking



IN THE MATTER OF:

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American Travelers Assurance Company

IS-SC-05-08

The Department of Insurance, Securities and Banking (“Department”) hereby issues this ORDER TO APPEAR AND SHOW CAUSE AND PRELIMINARY ORDER IMPOSING AN ADMINISTRATIVE PENALTY against American Travelers Assurance Company, NAIC # 61140, pursuant to the authority of the Department to regulate life and health insurers under section 4 of the Department of Insurance and Securities Regulation Establishment Act of 1996, effective May 21, 1997 (D.C. Law 11-268; D.C. Official Code § 31-103); the authority of the Department to impose sanctions on insurers that have violated a law of the District of Columbia (“District”) under section 6 of the Life Insurance Act, approved June 19, 1934 (48 Stat. 1125; D.C. Official Code § 31-4305) (“Life Insurance Act”); and the schedule of late filing fees promulgated by the Department and set forth in Section F of the Notes and Instructions to the filing compliance checklist for life, accident, and health insurers in the District.

Pursuant to section 3 of the Annual Audited Financial Reports Act of 1993, effective October 21, 1993 (D.C. Law 10-48; D.C. Official Code § 31-302), each licensed insurer that has authority to do business in the District is required to file an audited financial report with the Department by June 1 of each calendar year. To implement the provisions

of section 3 of the Annual Audited Financial Reports Act of 1993, the Department promulgated a filing compliance checklist. Section F of the Notes and Instructions to the filing compliance checklist states that a company shall be "fined \$100 per day for a late filing" and that other actions, including license suspension, may be taken.

American Travelers Assurance Company ("American Travelers") received its certificate of authority from the Department on January 29, 2003, to operate in the life and health, individual accident and health, and group accident and health lines of business in the District

American Travelers was required by section 3 of the Annual Audited Financial Reports Act of 1993 to file an audited financial report on its calendar year 2004 operations by June 1, 2005.

On June 1, 2005, Thomas A. Travers, secretary and treasurer of HEI Exchange, Inc., the parent company of American Travelers, transmitted to the Department a written request for an extension of time to file American Travelers' annual audited financial report.

By letter dated June 2, 2005, the Department rejected the request for an extension of time, noting that Section J of the Department's Notes and Instructions for the filings of life, accident, and health insurers states that a request for an extension of a filing deadline should be submitted at least 30 days prior to the due date of the filing. In addition, under section 3(b) of the Annual Audited Financial Reports Act of 1993, a request for extension must be submitted not less than 10 days prior to the due date. See D.C. Official Code § 31-302(b).

The Department's June 2, 2005, letter also informed American Travelers that the Department's Financial Surveillance Bureau would recommend that the Department impose on American Travelers a fine of \$100 for each day the filing was late.

American Travelers transmitted to the Department an electronic version of its annual audited financial report for calendar year 2004 on June 30, 2005. The Department accepted the report as properly filed on that date. American Travelers' report was therefore filed 29 days after the filing date mandated by District law.

CHARGE

American Travelers violated District law by failing to file its statutorily required annual audited financial report for calendar year 2004 by June 1, 2005, the date mandated by section 3(b) of the Annual Audited Financial Reports Act of 1993. American Travelers' failure to timely file the report constitutes a violation of District law under section 6(a)(5) of the Life Insurance Act (D.C. Official Code § 31-4305(a)(5)) for which the Commissioner may revoke or suspend American Travelers' certificate of authority or impose a penalty of up to \$25,000. The Commissioner also may impose a fine of \$100 per day for each day the filing was late, pursuant to the late filing fee set forth in

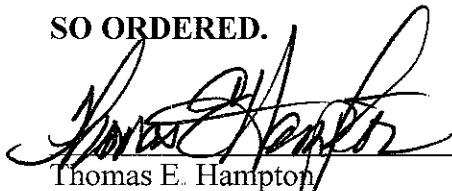
Section F of the Notes and Instructions to the filing compliance checklist for life, accident, and health insurers promulgated by the Department

ORDER

Therefore, it is HEREBY ORDERED that the chief executive officer, or a duly authorized representative of the chief executive officer, of American Travelers appear at a hearing of the Department to be held on November 28, 2005, at 10:00 a.m., and show cause why the Department should not revoke or suspend American Travelers' certificate of authority or impose a penalty of up to \$25,000 on American Travelers for American Travelers' failure to comply with District law, as described above. The hearing will be held at the Department's main office at 810 First Street, N.E., Suite 701, Washington, D.C. 20002.

Alternatively, American Travelers may, by November 21, 2005, pay an administrative penalty of \$2,900.00 (an amount equal to the Section F fine of \$100 per day, imposed for the 29 days by which the audited financial report was filed late). The payment of the administrative penalty shall constitute a waiver of any right or opportunity to a hearing by American Travelers on the matters set forth in this notice and order, and American Travelers shall provide a written waiver of any such right or opportunity with its payment. The payment and waiver shall constitute the final resolution of the Department's review of American Travelers' violation of the Annual Audited Financial Reports Act of 1993 described in this order, and the November 28, 2005, hearing scheduled by this order shall be deemed cancelled. The payment of the administrative penalty shall be made by check payable to "D.C. Treasurer" and shall be delivered by hand (along with a copy of this Order) to Michelle Mathis, Department of Insurance, Securities and Banking, 810 First Street, NE, Suite 701, Washington, DC 20002. If the payment and waiver are not received pursuant to this provision by November 21, 2005, the November 28, 2005, hearing scheduled by this order shall proceed and the Commissioner may, after the hearing, revoke or suspend American Travelers' certificate of authority or impose a penalty of up to \$25,000.

SO ORDERED.

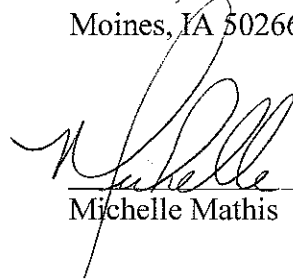


Thomas E. Hampton
Acting Commissioner
Department of Insurance, Securities and Banking

Dated this 12th day of October, 2005.

CERTIFICATE OF SERVICE

I hereby certify that on October 13th, 2005, I sent a copy of the foregoing ORDER TO APPEAR AND SHOW CAUSE AND PRELIMINARY ORDER IMPOSING ADMINISTRATIVE PENALTY by certified mail both to General Counsel, American Travelers Assurance Company, 20 Glover Avenue, Norwalk, CT 06850 and to General Counsel, American Travelers Assurance Company, 5700 Westown Parkway, West Des Moines, IA 50266.


Michelle Mathis

 10/13/05
Date